Nova Scotia Annual Gaming Report

2002 - 2003
2003 - 2004

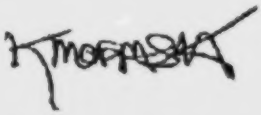
105-01683/

Dear Reader:

Presented herewith is the *Annual Gaming Report* pursuant to Sections 56 and 66 of the *Gaming Control Act* for the years ending March 31, 2003, and March 31, 2004, respectively.

The *Annual Gaming Report* covers the activities of the Alcohol and Gaming Division relative to the gaming industry during the 2002/2003 and 2003/2004 fiscal years, and explains its working mandate received from the *Gaming Control Act*- 'to regulate and control casinos and other lottery schemes; and to administer this part in the public interest and in accordance with the principles of honesty and integrity.'

Yours truly,



The Honourable Kerry Morash
Minister of Environment and Labour

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ABOUT THE DIVISION

Mandate

The Nova Scotia Alcohol and Gaming Division (the Division) has the legislative responsibility to regulate and control gaming activities "in the public interest and in accordance with the principles of honesty and integrity."[1] The Division licenses and monitors the conduct of casinos, bingos, lotteries and other games of chance (except harness racing, and gaming activities conducted on Native lands), to ensure that these games are carried out in the best social and economic interests of Nova Scotians. Furthermore, the Division studies public interests and reactions to gaming in Nova Scotia, and assesses the impacts emanating from this activity.

Workforce

With its head office located in Dartmouth, and a regional office in Sydney, the Alcohol and Gaming Division maintains a workforce around the province. In addition, a contingent of RCMP officers work under contract with the Alcohol and Gaming Division to conduct gaming supplier and employee security clearances.

CORE FUNCTIONS

Registration and Licensing

Pursuant to the *Gaming Control Act*, the Nova Scotia Alcohol and Gaming Division registers individuals and companies who supply goods and services to regulated gaming activities. During the 2003/2004 fiscal year, the Division's registry consisted of a total of

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[1] *Gaming Control Act*. 1994-95, c. 4, s. 42.

171 casino gaming, casino non-gaming, and bingo suppliers, compared to a total of 202 in 2002/2003.

The Division also conducts security checks on personnel related to the gaming industry, including all casino staff, employees of the Nova Scotia Gaming Corporation and the Alcohol and Gaming Division. Different levels of security clearances are applied, depending on one's position in an organization or the type of service one provides (i.e., suppliers of actual gambling equipment are held to a higher degree of scrutiny than the suppliers of non-gaming related supplies such as restaurant equipment). In 2002/2003, the Division conducted security checks on 642 casino employees, and another 468 casino employees in 2003/2004.

The Alcohol and Gaming Division issues gaming licenses to organizations that raise funds for charitable purposes, including bingos, ticket lotteries (prize value over $500), and carnival games of chance. In addition, permits are issued for ticket lotteries with a prize value of less than $500. Licenses are issued in accordance with the provisions of the applicable regulations, and policy as established by the Alcohol and Gaming Division.

Gaming Registration Issuance		
	2003/2004	2002/2003
Casino Registrations		
Gaming supplier	14	18
Non-gaming supplier - exemption	130	149
Non-gaming supplier	25	33
Casino employees	1,007	1,186
Bingo Registrations		
Bingo supplier	2	2
TOTAL	1,178	1,388

Series bingo and ticket lottery licenses are issued to organizations wishing to carry on a series of regular events. Single licenses are issued for individual events. Games of chance events include commercial carnivals, fun-night Monte Carlo events, and games conducted during annual fairs and exhibitions.

Gaming License Issuance		
	2003/2004	2002/2003
Bingo	569	544
Ticket lottery	1,081	969
Permits	5,456	5,301
Break-open	23	65
Games of chance/carnival	189	177
TOTAL	7,318	7,056

Investigation and Enforcement

Investigation and Enforcement regularly inspects licensed premises to ensure that gaming activities comply with the applicable regulations. For example, video lottery play is checked for underage play and credit granting, and bingos are checked for such things as the proper use of bingo operating equipment. Furthermore, Investigation and Enforcement staff conduct inspections at the two casinos to ensure compliance with casino regulations and detailed internal control procedures. Investigation and Enforcement has a staff complement located throughout the province.

The Gaming Analyst Section of Investigation and Enforcement conducts regular as well as random testing of casino slot machine software to insure each machine is compliant with the legislated minimum payout percentage, as well as other requirements. The Section also monitors payout percentages for video lottery terminals (VLTs) in liquor licensed premises in the province.

Investigation and Enforcement is also responsible for reviewing and making recommendations with respect to all approval requests from the casino operator pertaining to:

- casino surveillance and security systems;
- permitted games of chance played in casinos;
- Rules of Play; and
- slot machine installations, modifications, removals and relocations.

Gaming Inspections, Complaints, & Investigations 2002/2003

	Inspections	Complaints	Investigations
Bingo	424	98	21
Casino	41,599*	10	34**
VLT	15,962	3	3

* Includes 1,961 Technical Inspections
** Includes 9 Technical Investigations

Gaming Inspections, Complaints, & Investigations 2003/2004

	Inspections	Complaints	Investigations
Bingo	373	63	10
Casino	49,829*	4	21**
VLT	14,119	5	11

* Includes 3,001 Technical Inspections
** Includes 8 Technical Investigations

Gaming Research

The Alcohol and Gaming Division is responsible for studying the interest and reactions of the public towards gaming in Nova Scotia; and assessing the social, health, justice, economic, and environmental impacts of gaming in the province. Since 1995/1996, the Alcohol and Gaming Division has issued its *Annual Gaming Report*, representing a compilation and synthesis of gaming related research conducted in the province.

LOOKING BACK

Gaming wagers have steadily increased in Nova Scotia since the legalization of gambling in 1976 with the introduction of government lottery ticket sales. In 1991, video lottery terminals (VLTs) became available, and the casino operations opened in Halifax and Sydney in 1995. In the 2003/2004 fiscal year, total gaming wager in the province reached $1.49 billion, an increase of 2.9 percent from $1.44 billion in 2002/2003. The 2002/2003 total wager figure was up 16.9 percent from $1.24 billion in 2001/2002.

While the fiscal performance of gaming is easily measured, it is more difficult to quantify the impacts of gaming. An accurate evaluation of gaming impacts must rely upon appropriate identification, costing, and relative weighting of many factors. However, many of the socio-economic costs and benefits of gaming are intangible in nature, rendering them difficult to assess. That being said, efforts must be continually applied to ensure that the public's interest in gaming is protected, benefits are maximized, and potential negative consequences are minimized.

In autumn 2003, the Nova Scotia Gaming Corporation initiated stakeholder consultations to provide direction to develop a comprehensive gaming strategy for Nova Scotia. The strategy is expected to address the provincial gaming industry's economical sustainability, social responsibility and accountability. Public consultations on the framework will take place over the summer of 2004, with a completed strategy targeted for early 2005.

Nova Scotia, along with many other jurisdictions, has expended considerable time, effort, and resources to examine the positive and negative aspects of gaming. Besides these economic benefits, legalized gambling has resulted in substantial social, economic, health and justice costs, for both public coffers and private

enterprises. Personal ramifications of problem gambling are perhaps the most consequential, potentially resulting in excessive debt and bankruptcy, job loss, interpersonal conflicts, divorce, mental stress, and more. The province continues its research of gaming impacts in order to identify and implement appropriate prevention and intervention measures intended to mitigate the potential negative effects of gaming.

In Nova Scotia, a 1996 survey showed a combined rate of 3.9 percent of current problem and possible pathological gamblers among Nova Scotian adults. In 2001, a more reliable instrument for measuring the problem gambling in the general population was developed, called the Canadian Problem Gambling Index (CPGI). Since then, most Canadian provinces have used the CPGI to assess the extent of problem gambling within their respective jurisdiction. Problem Gambling Services, at the Department of Health, commissioned Focal Research Consultants in 2003 to conduct a new prevalence study in Nova Scotia, which is expected to be released in summer 2004.

Perhaps the most devastating outcome of gambling is the self-inflicted death of a person who has experienced problems with gambling. Dr. Christian Marfels, Economics professor at Dalhousie University, has attempted to examine the relationship between problem gambling and suicides. In a study investigating visitor suicides and gambling in Las Vegas (1998), Marfels concluded that "in 94% of the cases gambling was not the determinant factor for the suicide." Although gambling may not be noted as the single factor behind suicide, there is increasing speculation of the link between the two phenomena. Consequently, in 2003 coroners across Canada agreed to record whenever gambling is cited as a potential or possible contributing stressor in suicides, in order to gain more meaningful and comparable data.

Many public and private programs and services are now available across Nova Scotia to combat the potential harmful effects of gambling. Both the Government and gaming operators fund resources related to the education, prevention, treatment, and research of problem gambling. Casino Nova Scotia contributes $1 million annually to the Department of Health for problem gaming programs. Similarly, VLT operators contribute one percent of their commissions to the Nova Scotia Gaming Foundation, which are matched by equal contributions from the Nova Scotia Gaming Corporation. Some of the initiatives undertaken in the past two years include:

- The Nova Scotia Gaming Corporation held its first Responsible Gaming Awareness Week in October 2002, and held this event again in October 2003. The purpose of the week long campaign was to raise awareness of the importance of using gaming products responsibly. Information events were targeted to gaming industry employees, the general public, and players themselves.

- To prevent problem gambling, the Alcohol and Gaming Division, the Nova Scotia Gaming Corporation and Casino Nova Scotia work together to administer a program of voluntary exclusion, whereby an individual voluntarily agrees not to attend casinos in Nova Scotia. As of March 31, 2004, there were 1041 individuals who had voluntarily excluded themselves from casino access. In early 2003, the Gaming Corporation began preliminary investigations on developing a voluntary exclusion program for video lottery operations.

- The Nova Scotia Gaming Foundation is mandated to fund short-term community projects that support prevention, education, treatment, intervention, and research of problem gambling. The Gaming Foundation has funded such projects

as: START, an early intervention program for youth in Cape Breton; GASP, a gambling awareness program for seniors in the Halifax Regional Municipality; and Freedom Foundation, a transition house for men recovering from addictions in a secure and caring home-like environment.

- In 2002, the Gaming Corporation completed an evaluation of the new VLTs equipped with four responsible gaming features (RGFs). Conducted by Focal Research Consultants, the study examined the effectiveness of the four RGFs on player behaviours, attitudes and perceptions. The four features included a permanent clock, pop-up reminders advising players how long they've been playing, a cash display showing actual money wagered instead of credits, and a mandatory cash-out. The study found that the pop-up reminder helped reduce session duration, while the clock and cash displays helped players manage the amount of time and money spent on the machine; the mandatory cash-out did not affect player behaviour.

PROVINCIAL GAMING ACTIVITY

Overview

The Nova Scotia Alcohol and Gaming Division is responsible for the regulation of legalized gaming in this province. These gaming activities include video lottery terminals (VLTs), casinos, Atlantic Lottery Corporation (ALC) products, bingos and charitable ticket lotteries.

For the purpose of measuring the volume of gaming activities on a consistent basis, the Alcohol and Gaming Division uses the "wager" as a base unit. This figure represents the amount of money actually wagered on each gaming activity before prizes are awarded, operating expenses are deducted, and other assorted expenditures are accounted for. The wager for each type of gaming activity is defined in the following manner:

- cash deposited when referring to VLTs;
- cash deposited into casino slot machines plus the chips purchased for table games when referring to casinos;
- cash paid for the purchase of bingo cards when referring to bingo; and
- cash paid for the purchase of tickets when referring to ticket lotteries.

Fiscal Year 2002/2003

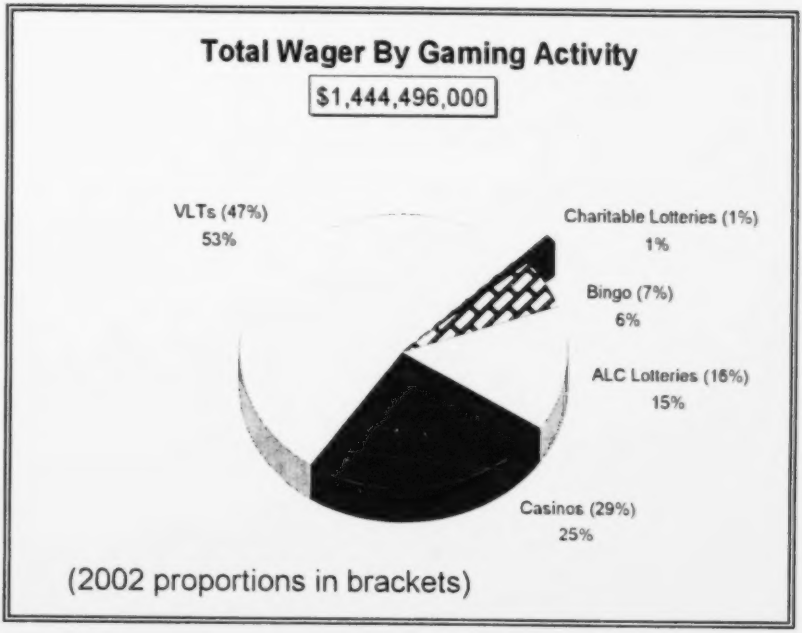
The fiscal year of 2002/2003 showed an increase in gaming in this province, with a total wager for VLTs, casinos, ALC lotteries, bingos and charitable lotteries of $1.44 billion. This marked a 16.9 percent increase from the total wager of $1.24 billion in 2001/2002.

Total Wager By Gaming Activity
($ thousands)

	2003	2002	Change
VLTs	$767,518	$575,750	33.3%
Casinos	366,604	356,005	3.0%
ALC Lotteries	212,259	204,421	3.8%
Bingo	84,854	87,254	-2.8%
Charitable Lotteries	13,261	12,719	4.3%
TOTALS	**$1,444,496**	**$1,236,149**	**16.9%**

Growth in the total wager was largely due to the 33.3 percent increase in VLT wager, attributed to strong performance of new and upgraded terminals. The wager growth rate has slowed for other forms of gaming, with gains between three to four percent posted for casinos, ALC lotteries, and, charitable lotteries. For the fourth consecutive year, wager has declined for bingos in the province.

For the first time, VLT wager accounted for more than half (53.1 percent) of the total wager in the province, up from 46.6 percent the year before. The proportion of total wager earned by the casinos decreased to 25.4 percent from 28.8 percent in 2001/2002. The share of total wager represented by ALC lotteries, bingos, and charitable lotteries remained essentially unchanged on a year over year basis.



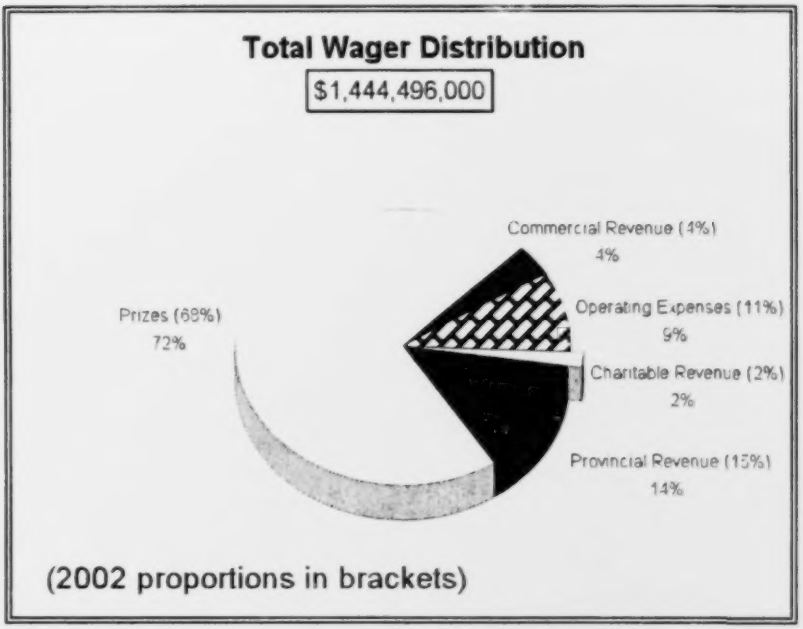
Of the total wager, $1.04 billion went to gaming participants in the form of prizes, an increase of 22.8 percent from the prize payout of $843.7 million in 2001/2002. Prizes in 2002/2003 represented 71.7 percent of the total wager, an increase from 68.3 percent in 2001/2002. Revenue to the province was $196.9 million, representing 13.6 percent of the total wager, a 6.7 percent increase from $184.5 million in 2001/2002.

Operating expenses increased 0.5 percent from 2001/2002, for a total of $134.4 million, representing 9.3 percent of the total wager.

Revenue received by charities from gaming activities in 2002/2003 was $24.4 million, a 3.9 percent decrease from $25.3 million in 2001/2002. Revenue to commercial entities in 2002/2003 was $52.8 million, up 8.3 percent from $48.8 million in 2001/2002.

Total Wager Distribution
($ thousands)

	2003	2002	Change
Operating Expenses	$134,444	$133,827	0.5%
Commercial Revenue	52,823	48,792	8.3%
Charitable Revenue	24,365	25,342	-3.9%
Provincial Revenue	196,936	184,486	6.7%
Prizes	1,035,928	843,702	22.8%
TOTALS	**$1,444,496**	**$1,236,149**	**16.9%**



Video Lottery Terminals

In 2002/2003, the VLT wager amounted to $767.5 million, a 33.3 percent increase from the VLT wager of $575.8 million in 2001/2002. The 2002/2003 VLT wager comprised 53.1 percent of the total amount wagered in the province.

VLT prize payouts totaled $585.6 million in 2002/2003, an increase of 41.7 percent over the previous year and represented 76.3 percent of the total VLT wager.

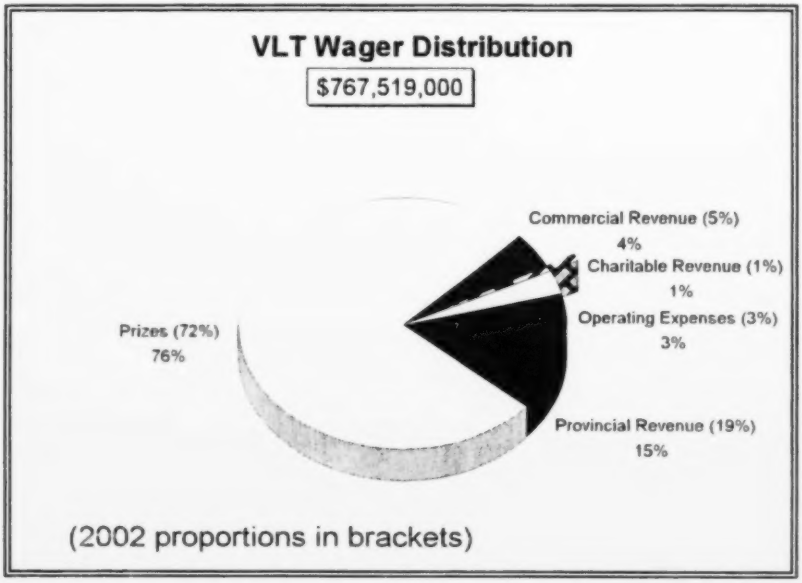
VLT Wager Distribution
($ thousands)

	2003	2002	Change
Operating Expenses	$24,792	$16,300	52.1%
Commercial Revenue	32,145	28,404	13.2%
Charitable Revenue	7,022	6,371	10.2%
Provincial Revenue	117,945	111,513	5.8%
Prizes	585,615	413,162	41.7%
TOTALS	**$767,519**	**$575,750**	**33.3%**

Revenue to charitable retailers was $7.0 million, a 10.2 percent increase from $6.4 million in 2001/2002. Revenue to commercial retailers was $32.1 million, up 13.2 percent from $28.4 million.

In 2002/2003, the province received $117.9 million in revenue from VLTs. This figure marked an increase of 5.8 percent from 2001/2002, during which VLTs produced $111.5 million in revenue for Nova Scotia. At $117.9 million, the revenue to the province from VLTs represented a 15.4 percent share of the total VLT wager.

Operating expenses in 2002/2003 increased 52.1 percent from 2001/2002 to $24.8 million. Expenses related to the VLT replacement program were largely responsible for the overall increase in operating expenses.



Casinos

In 2002/2003, $366.6 million was wagered at Nova Scotia's Halifax and Sydney casinos. This represents a 3.0 percent increase from 2001/2002, when $356.0 million was wagered. The Casino wager represented 25.4 percent of the total wager in the province.

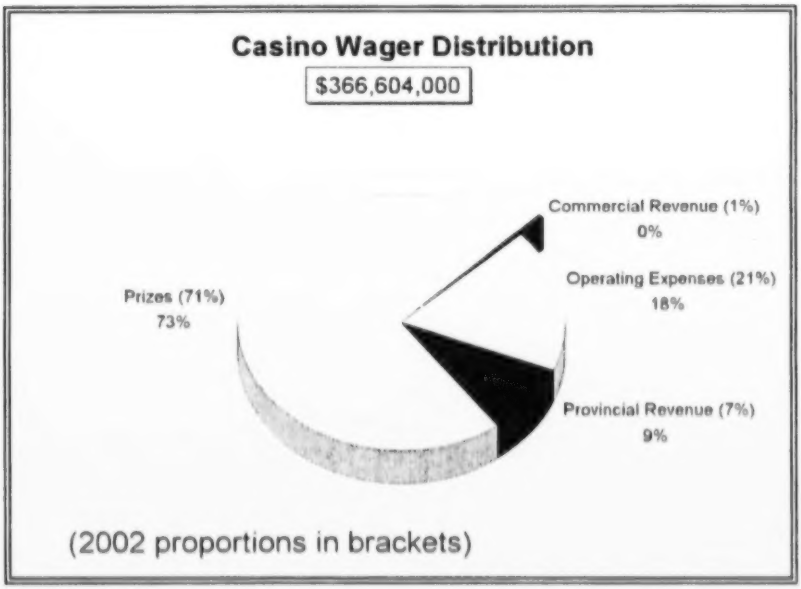
In 2002/2003, the casinos incurred $65.8 million in operating expenses, a decrease of 11.8 percent from $74.6 million in 2001/2002. Contributing to the decrease in operating expenses was a $6.7 million recovery of HST received by Casino Nova Scotia in 2002/2003. The 2002/2003 operating expenses represent 17.9 percent of the total casino wager.

Casino Wager Distribution
($ thousands)

	2003	2002	Change
Operating Expenses	$65,785	$74,612	-11.8%
Commercial Revenue	1,621	1,989	-18.5%
Provincial Revenue	32,480	25,416	27.8%
Prizes	266,718	253,988	5.0%
TOTALS	**$366,604**	**$356,005**	**3.0%**

The casino operator realized $1.6 million in revenue in 2002/2003 marking an 18.5 percent decrease from $2.0 million in 2001/2002. The province's share of casino revenues in 2002/2003 amounted to $32.4 million, marking a 27.8 percent increase from $25.4 million in 2001/2002. The $32.4 million figure represents 8.9 percent of the 2002/2003 casino wager.

The casinos paid out $266.7 million in prizes in 2002/2003, and this represents a 5.0 percent increase from the $254.0 million which was paid out as prizes in 2001/2002. Prize pay-outs in 2002/2003 accounted for 72.8 percent of the total casino wager.



Casino Nova Scotia				
	Halifax		Sydney	
	2003	2002	2003	2002
Wager ($ millions)	$265.5	$248.7	$95.0	$107.3
Revenue to Province ($ millions)	$19.6	$12.6	$12.9	$12.9
Gaming Floor Area (sq. ft)	32,000	32,000	15,000	15,000
Employees	747	825	232	248
Visitors	1,722,635	1,780,693	766,171	803,196
Slot Machines	744	733	377	368
Table Games	40	39	11	11

ALC Lotteries

In 2002/2003, $212.3 million was wagered on ALC lottery products. This figure represented 14.7 percent of the total provincial wager and marked a 3.8 percent increase from the $204.4 million which was wagered on ALC lottery products in 2001/2002.

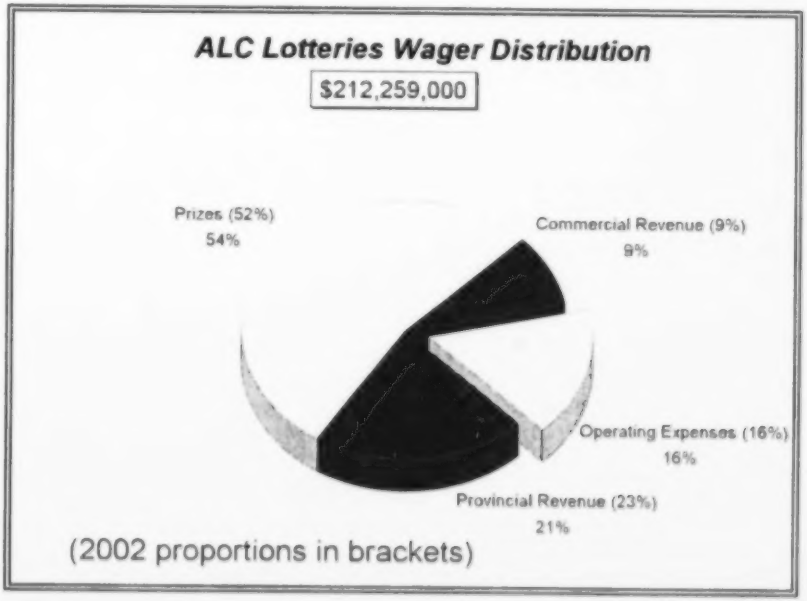
A total of $114.0 million was paid out in the form of prizes for ALC lotteries in 2002/2003, an increase of 6.9 percent from the $106.6 million which was paid out in prizes in 2001/2002. The $114.0 million prize payout represents 53.7 percent of the total ALC lotteries wager.

ALC Lotteries Wager Distribution
($ thousands)

	2003	2002	Change
Operating Expenses	$34,533	$33,672	2.6%
Commercial Revenue	18,718	18,022	3.9%
Charitable Revenue	39	44	-11.4%
Provincial Revenue	45,001	46,046	-2.3%
Prizes	113,968	106,637	6.9%
TOTALS	**$212,259**	**$204,421**	**3.8%**

Retailer revenue increased 3.9 percent, from $18.0 million in 2001/2002 to $18.7 million in 2002/2003. Revenue to the retailers represented 8.8 percent of the ALC wager for the 2002/2003 fiscal year. Revenue to charities which was generated from charitable breakopen tickets was $39 thousand in 2002/2003.

ALC lotteries' operating expenses in Nova Scotia in 2002/2003 were $34.5 million, a 2.6 percent increase from the $33.7 million in 2001/2002.



In 2002/2003 the province received $45.0 million in revenue from ALC ticket lotteries, a decrease of 2.3 percent from the $46.0 percent in 2001/2002.

Bingo

The total bingo wager amounted to $84.9 million for the 2002/2003 fiscal year, a 2.8 percent decrease from the $87.3 million bingo wager in 2001/2002. Similarly, bingo attendance fell to 2.3 million players in 2002/2003, down 4.1 percent from 2.4 million in 2001/2002.

Total Bingo Wager Distribution
($ thousands)

	2003	2002	Change
Operating Expenses	$7,301	$7,460	-2.1%
Charitable Revenue	12,303	13,872	-11.3%
Commercial Revenue	339	377	-10.1%
Provincial Revenue	1,388	1,396	-0.6%
Prizes	63,522	64,149	-1.0%
TOTALS	**$84,853**	**$87,254**	**-2.8%**

Charitable Bingo

Charitable bingos continue to play a much needed role in fund raising throughout the province. Charitable profits achieved through bingo operations is one way that organizations such as volunteer fire departments, churches, schools, minor league sports teams, legions or other community groups can raise funds on their own.

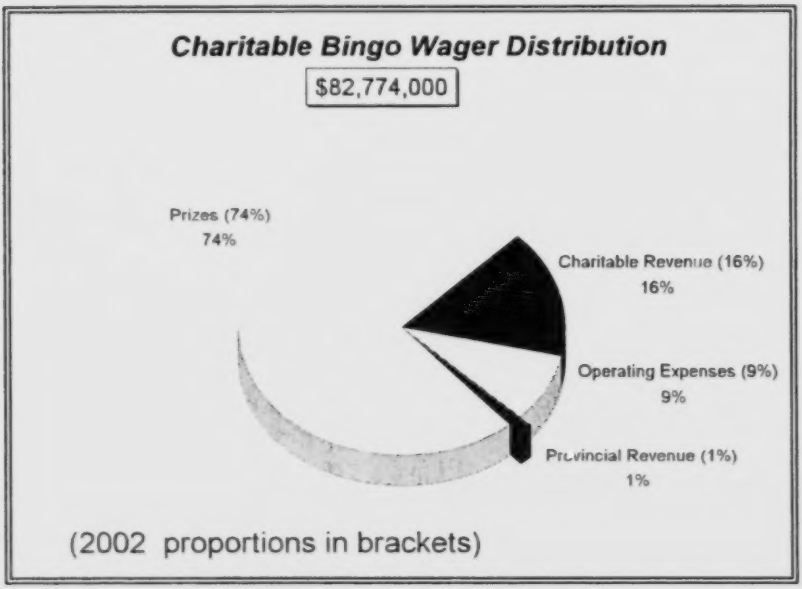
In the fiscal year 2002/2003, $82.8 million was wagered at charitable bingos. That marked a 2.9 percent decrease from the $85.2 million that was wagered in the 2001/2002 fiscal year. Charities retained $12.3 million in profits from the total bingo wager in 2002/2003, a decrease of 11.3 percent from $13.9 million in 2001/2002.

Charitable Bingo Wager Distribution
($ thousands)

	2003	2002	Change
Operating Expenses	$7,177	$7,341	-2.2%
Charitable Revenue	12,303	13,872	-11.3%
Provincial Revenue	1,241	1,255	-1.1%
Prizes	62,053	62,740	-1.1%
TOTALS	**$82,774**	**$85,208**	**-2.9%**

Of the charitable bingo wager, 75.0 percent was paid out in the form of prizes, an increase from the 73.6 percent paid out in prizes in 2001/2002. The total value of bingo prizes awarded in 2002/2003 was $62.1 million.

In 2002/2003, bingo operating expenses represented $7.2 million of the total bingo wager, a decrease of 2.2 percent from $7.3 million in 2001/2002. Operating expenses accounted for 8.7 percent of the total bingo wager in 2002/2003 compared to 8.6 percent in 2001/2002.



Bingo licenses can be issued by the Division for a one time event (bingo single license), or recurring events (bingo series licenses). In the fiscal year 2002/2003, the Division received financial reports for 10 bingo single licenses and 402 bingo series licenses.

Media bingos (TV or radio bingo) have continued to show a higher percentage of profit for charitable purposes. In the fiscal year 2002/2003 there were 33 media bingos in operation. Media bingos generated $5.2 million in wagers ($5.6 million in 2001/2002), which resulted in revenues to their charitable or religious organizations of $1.9 million. This represents an average return of 36.2 percent (33.4 percent in 2001/2002), which is well above that of the traditional bingo.

Charitable Bingo Licensees Grouped By Wager

Category	Licensees	%	Wager ($ thousands)	%
$0-50,000	89	21.6%	$1,374	1.7%
50,000-100,000	82	19.9%	6,274	7.6%
100,000-150,000	67	16.3%	8,493	10.3%
150,000-200,000	53	12.9%	9,233	11.2%
200,000-250,000	31	7.5%	6,784	8.2%
250,000-300,000	17	4.1%	4,696	5.7%
300,000-500,000	41	10.0%	15,688	19.0%
500,000-1,000,000	25	6.1%	18,168	21.9%
$1,000,000+	7	1.7%	12,064	14.6%
TOTALS	**412**	**100.0%**	**$82,774**	**100.0%**

The Alcohol and Gaming Division continues to assist charitable bingos by striving to make reporting requirements simpler, and providing licensees with comparative performance statistics so that they may better gauge their own performance. A new regulation was introduced in 2002/2003 allowing "low revenue" bingo licensees (defined as bingo licensees which pay out prizes of less than $30,000) to be classed as exempt. As a result, the licensees classed as exempt would not be required to prepare and submit financial results to the Division, nor would they be obligated to submit any monthly licensing fees to the Division. As well, licensing staff of the Alcohol and Gaming Division continues to consult with charitable bingo operators to provide assistance whenever possible.

Charitable Bingo Licensees Grouped By Net Profits

		Licensees By Net Profit			Average
Category	**Licensees**	**<0%**	**0-15%**	**>15%**	**Net Profit**
$0-50,000	89	19	32	38	11.1%
50,000-100,000	82	7	36	39	14.7%
100,000-150,000	67	9	29	29	14.7%
150,000-200,000	53	2	26	25	13.5%
200,000-250,000	31	1	17	13	16.0%
250,000-300,000	17	0	10	7	13.8%
300,000-500,000	41	0	24	17	16.2%
500,000-1,000,000	25	1	14	10	14.5%
$1,000,000+	7	0	3	4	15.0%
TOTALS	**412**	**39**	**191**	**182**	**14.9%**

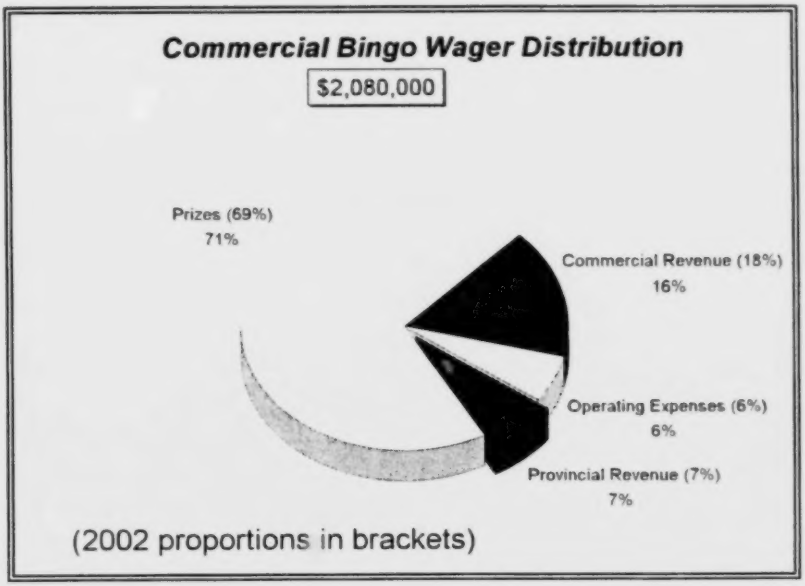
Commercial Bingo

When Nova Scotia introduced comprehensive Bingo Regulations in 1995, it included a rule that prohibited the granting of any new commercial bingo licenses. The regulations did allow existing or "grandfathered" commercial bingos to continue operations. There are three remaining commercial bingo operators in Nova Scotia.

In 2002/2003, $2.1 million was wagered at commercial bingos, representing 2.5 percent of the total bingo wager. Commercial bingo operators reported profits of $339 thousand in 2002/2003, a 10.0 percent decrease from the $377 thousand reported in 2001/2002. Operating expenses were $125 thousand, up 5.0 percent from the $119 thousand reported in 2001/2002.

Commercial Bingo Wager Distribution
($ thousands)

	2003	2002	Change
Operating Expenses	$125	$119	5.0%
Commercial Revenue	339	377	-10.1%
Provincial Revenue	147	141	4.3%
Prizes	1,469	1,409	4.3%
TOTALS	**$2,080**	**$2,046**	**1.7%**



Charitable Ticket Lotteries

In 2002/2003, the charitable ticket lotteries wager totaled $13.3 million, representing 0.9 percent of the total gaming wager and producing $5.0 million in charitable revenue.

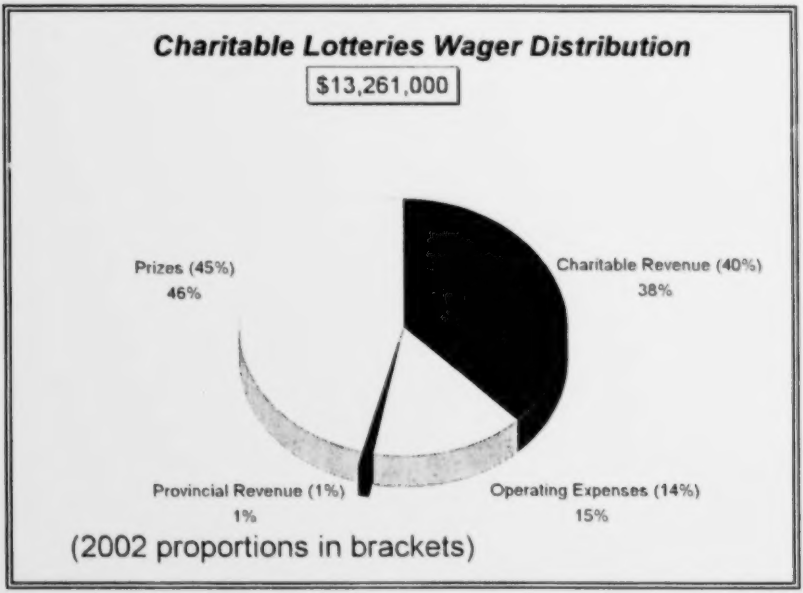
Operating expenses for charitable ticket lotteries totaled $2.0 million in 2002/2003, a 14.0 percent increase from the $1.8 million reported in 2001/2002. Operating expenses for 2002/2003 amounted to 15.1 percent of the total charitable ticket lottery wager, compared to 14.0 percent in 2001/2002.

Charitable Lotteries Wager Distribution
($ thousands)

	2003	2002	Change
Operating Expenses	$2,033	$1,783	14.0%
Charitable Revenue	5,001	5,055	-1.1%
Provincial Revenue	122	115	6.1%
Prizes	6,105	5,766	5.9%
TOTALS	**$13,261**	**$12,719**	**4.3%**

Revenue to the province from charitable lotteries totaled $122 thousand in 2002/2003, a 6.2 percent increase from $115 thousand in 2001/2002. The province's share as a percentage of the total wager remained at 0.9 percent.

Prizes awarded in charitable ticket lotteries totaled $6.1 million (46.0 percent of the total wager), an increase of 5.9 percent from 2001/2002 in which the prize amount was $5.8 million (45.3 percent of the total wager).



In the 2002/2003 fiscal year, the Division received financial reports for 676 charitable ticket lottery licenses. The majority of ticket lottery schemes in the province were smaller when ranked by ticket sales. Of the 676 charitable ticket lotteries, 630 (93.2 percent) reported ticket sales of $50 thousand, or less.

Conversely, though fewer in number, there were larger ticket lottery schemes in the province that have proven very successful. There were 9 ticket lottery operations that generated sales of over $300 thousand to produce total ticket sales of $4.6 million. These 9 ticket lottery operations generated, in total, $1.1 million for their charities.

Charitable lotteries remain the most efficient way to raise charitable funds. Of every dollar wagered in charitable lotteries during the 2002/2003 year, 39.5 cents were available for charitable purposes upon the lotteries' completion, essentially unchanged from 39.7 cents in 2001/2002.

Charitable Lotteries Licensees Grouped By Wager

Category	Licensees	%	Wager ($ thousands)	%
$0-50,000	630	93.2%	$4,757	35.9%
50,000-100,000	22	3.3%	1,431	10.8%
100,000-150,000	9	1.3%	1,050	7.9%
150,000-200,000	1	0.1%	186	1.4%
200,000-250,000	2	0.3%	419	3.2%
250,000-300,000	3	0.4%	866	6.5%
300,000-500,000	5	0.7%	1,964	14.8%
500,000-1,000,000	4	0.6%	2,588	19.5%
$1,000,000+	0	0.0%	0	0.0%
TOTALS	**676**	**100.0%**	**$13,261**	**100.0%**

Fiscal Year 2003/2004

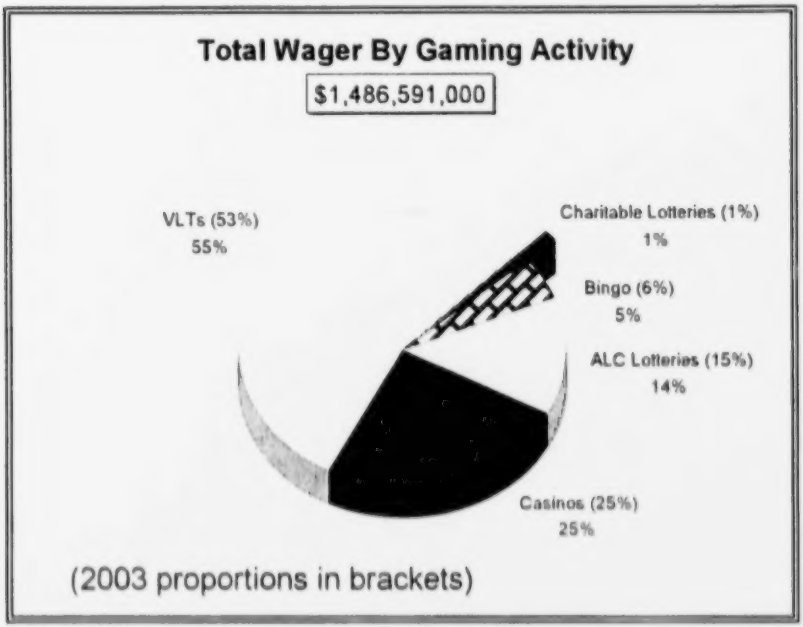
Total gaming wagers in the province leveled off in 2003/2004, with a modest increase of 2.9 percent to $1.49 billion on a year-over-year basis. The 2003/2004 total wager annual growth rate is down significantly from the 16.9 percent rate posted last year, and is the lowest year-over-year performance in over seven years.

Total Wager By Gaming Activity
($ thousands)

	2004	2003	Change
VLTs	$821,481	$767,518	7.0%
Casinos	365,267	366,604	-0.4%
ALC Lotteries	206,281	212,259	-2.8%
Bingo	75,817	84,854	-10.7%
Charitable Lotteries	17,745	13,261	33.8%
TOTALS	**$1,486,591**	**$1,444,496**	**2.9%**

Growth in the total wager was due to increases in wagers for VLTs and charitable lotteries, which was offset by declines in wagers for casinos, ALC lotteries, and bingos. Decelerated growth in total wager resulted from a slowdown in VLT wager, falling to a 7.0 percent annual growth rate, following two years of double digit increases. Charitable lotteries wager posted a 33.8 percent gain this year, while wagers fell for the remaining gaming activities of casinos, ALC lotteries, and bingos.

VLT wager accounted for more than half (55.3 percent) of the total wager in the province, compared to 53.1 percent last year. The proportion of total wager earned by casinos remained flat at around 25 percent, compared to 2002/2003. ALC lotteries made-up 13.9 percent of the total wager, while bingos and charitable lotteries represented only 5.1 percent and 1.2 percent respectively.



Of the total wager, $1.09 billion went to gaming participants in the form of prizes, an increase of 5.18 percent from the prize payout of $1.04 billion in 2002/2003. Prizes in 2003/2004 represented 73.3 percent of the total wager, essentially unchanged from 71.7 percent in 2002/2003.

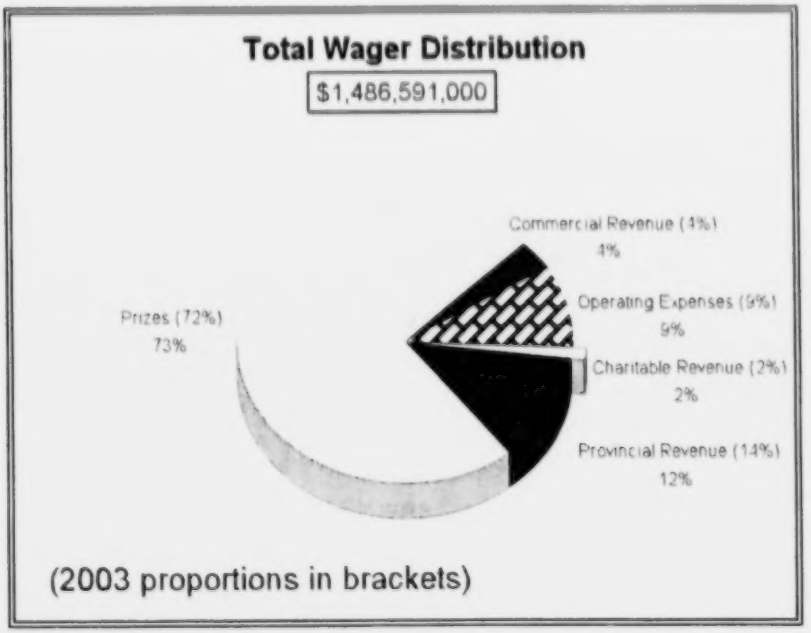
Revenue to the province from gaming activities fell 7.4 percent to $182.3 million in 2003/2004, from $196.9 million the year before. Provincial revenue fell this year partly due to the combined effect of reduced ALC Lotteries wager, increased prize payouts and operating expenses for VLTs, and increased operating expenses for casinos.

Similarly, charitable revenues were down 5.8 percent to $23.0 million, while commercial revenues remained flat (-0.3 percent) at

$52.7 million. Operating expenses rose 3.8 percent to $139.6 million in 2003/2004, representing 9.4 percent of the total wager.

Total Wager Distribution
($ thousands)

	2004	2003	Change
Operating Expenses	$139,580	$134,444	3.8%
Commercial Revenue	52,677	52,823	-0.3%
Charitable Revenue	22,960	24,365	-5.8%
Provincial Revenue	182,349	196,936	-7.4%
Prizes	1,089,025	1,035,928	5.1%
TOTALS	**$1,486,591**	**$1,444,496**	**2.9%**



Video Lottery Terminals

VLT wager climbed 7.0 percent to $821.5 million in 2003/2004, from $767.5 million in 2002/2003. At 55.3 percent, VLT wager constituted over half of the total amount wagered in the province.

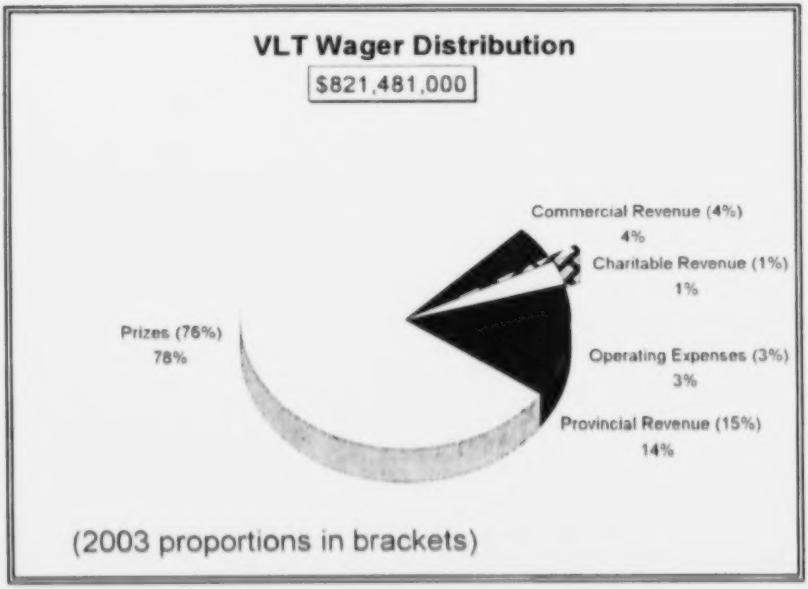
VLT prize payouts totaled $638.4 million in 2003/2004, up 9.0 percent from $585.6 million the year before. VLT prize payouts represented 77.7 percent of the total VLT wager.

VLT Wager Distribution
($ thousands)

	2004	2003	Change
Operating Expenses	$25,858	$24,792	4.3%
Commercial Revenue	32,779	32,145	2.0%
Charitable Revenue	6,554	7,022	-6.7%
Provincial Revenue	117,872	117,945	-0.1%
Prizes	638,418	585,615	9.0%
TOTALS	**$821,481**	**$767,519**	**7.0%**

The province gained $117.9 million from VLT wagers in 2003/2004, unchanged from last year's figure. Revenue to commercial retailers edged up to $32.8 million this year, a modest increase of 2.0 percent from $32.1 million in 2002/2003. Revenue to charitable retailers fell this year by 6.7 percent to $6.5 million, down from $7.0 million last year.

Operating expenses related to video lottery terminals in 2003/2004 increased to $25.9 million, up 4.3 percent from $24.8 million the year before.


VLT Wager Distribution
$821,481,000
Commercial Revenue (4%)
4%
Charitable Revenue (1%)
1%
Operating Expenses (3%)
3%
Provincial Revenue (15%)
14%
Prizes (76%)
78%
(2003 proportions in brackets)

Casinos

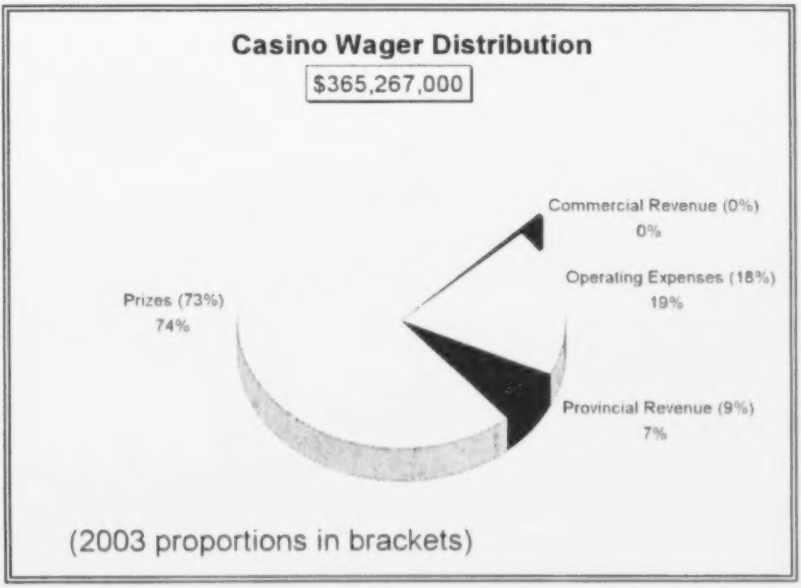
At $365.3 million, the amount wagered at Nova Scotia's Halifax and Sydney casinos this year was essentially unchanged from the $366.6 million wagered in 2002/2003. The Casino wager represented 24.6 percent of the total wager in the province.

In 2003/2004, operating expenses for the casinos increased 5.4 percent to $69.3 million. Similarly, prizes allotted at the casinos rose a modest 1.2 percent to $269.9 million this year.

Casino Wager Distribution
($ thousands)

	2004	2003	Change
Operating Expenses	$69,305	$65,785	5.4%
Commercial Revenue	1,334	1,621	-17.7%
Provincial Revenue	24,738	32,480	-23.8%
Prizes	269,890	266,718	1.2%
TOTALS	**$365,267**	**$366,604**	**-0.4%**

The impact of slight rises in both casino operating expenses and prize payouts created a drop in both revenue to the province and commercial revenue derived from the casinos. In addition, a one-time HST recovery in 2002/2003 had inflated the revenue to the province in that year. In 2003/2004, the province's share of casino revenues amounted to $24.7 million, marking a 23.8 percent drop from $32.5 million the previous year. The casino operator realized $1.3 million in revenue in 2003/2004, marking a 17.7 percent fall from $1.6 million in 2002/2003.



Casino Nova Scotia

	Halifax		Sydney	
	2004	**2003**	**2004**	**2003**
Wager ($ millions)	$276.4	$265.5	$89.0	$95.0
Revenue to Province ($ millions)	$16.6	$19.6	$8.1	$12.9
Gaming Floor Area (sq. ft)	32,000	32,000	15,000	15,000
Employees	752	747	248	232
Visitors	1,450,482	1,722,635	767,214	766,171
Slot Machines	755	744	375	377
Table Games	34	40	10	11

ALC Lotteries

The amount wagered on ALC lotteries in 2003/2004 dropped 2.8 percent to $206.3 million, down from $212.3 million last year. This amount accounted for 13.9 percent of the total provincial wager, which has slipped from 14.7 percent in 2002/2003.

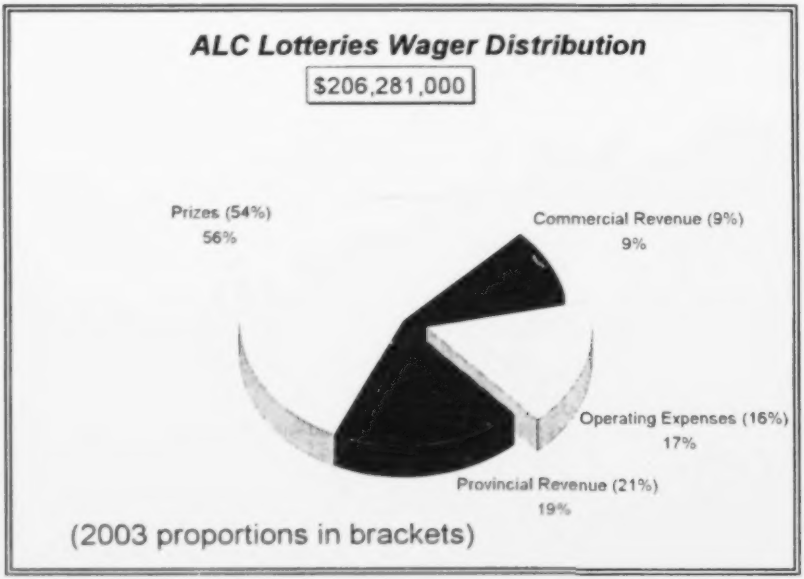
A total of $114.6 million was paid out in the form of prizes for ALC lotteries in 2003/2004, essentially unchanged from the $114.0 million paid out in 2002/2003. The $114.6 million prize payout represents 55.6 percent of the total ALC lotteries wager.

ALC Lotteries Wager Distribution
($ thousands)

	2004	2003	Change
Operating Expenses	$34,732	$34,533	0.6%
Commercial Revenue	18,484	18,718	-1.3%
Charitable Revenue	35	39	-10.3%
Provincial Revenue	38,389	45,001	-14.7%
Prizes	114,641	113,968	0.6%
TOTALS	**$206,281**	**$212,259**	**-2.8%**

The drop in ALC lotteries total wager translated to declines for commercial revenue (-1.3 percent), charitable revenue (-10.3 percent), and provincial revenue (-14.7 percent) respectively. Revenue to the province amounted to $38.3 million, and represented 18.6 percent of the ALC wager for 2003/2004, compared to 21.2 percent in the previous year. Revenue to charities, which was generated from charitable breakopen tickets, was $35 thousand in 2003/2004.

ALC lotteries' operating expenses in Nova Scotia in 2002/2003 were $34.7 million, largely unchanged from last year.


ALC Lotteries Wager Distribution
$206,281,000
Prizes (54%)
56%
Commercial Revenue (9%)
9%
Operating Expenses (16%)
17%
Provincial Revenue (21%)
19%
(2003 proportions in brackets)

Bingo

The total bingo wager fell 10.6 percent to $75.8 million this year, from $84.9 million in 2002/2003. Similarly, bingo attendance continued its fall to 2.0 million players in 2003/2004, down from 2.3 million players last year, and 2.4 million in 2001/2002.

Total Bingo Wager Distribution
($ thousands)

	2004	2003	Change
Operating Expenses	$6,685	$7,301	-8.4%
Charitable Revenue	10,325	12,303	-16.1%
Commercial Revenue	80	339	-76.4%
Provincial Revenue	1,179	1,388	-15.1%
Prizes	57,548	63,522	-9.4%
TOTALS	**$75,817**	**$84,853**	**-10.6%**

Charitable Bingo

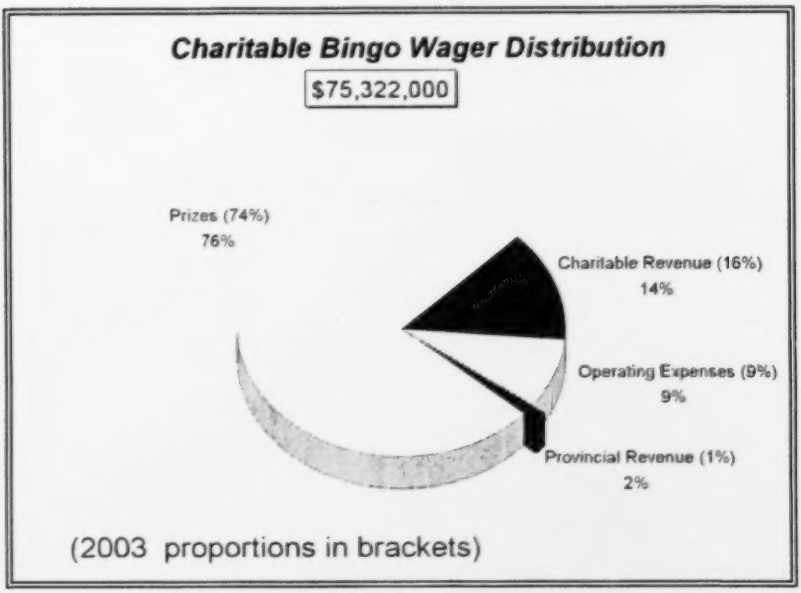
The amount wagered at charitable bingos fell 9.0 percent to $75.3 million this year, from $82.8 million in 2002/2003. Charities retained $10.3 million in profits from the total bingo wager in 2003/2004, which marked a drop of 16.1 percent from $12.3 million the year before. Charitable bingo wager has been on the decline since the 1998/1999 fiscal year.

Charitable Bingo Wager Distribution
($ thousands)

	2004	2003	Change
Operating Expenses	$6,656	$7,177	-7.3%
Charitable Revenue	10,325	12,303	-16.1%
Provincial Revenue	1,144	1,241	-7.8%
Prizes	57,197	62,053	-7.8%
TOTALS	**$75,322**	**$82,774**	**-9.0%**

The total value of bingo prizes awarded in 2003/2004 was $57.2 million, down 7.8 percent from $62.0 million last year. Bingo prizes represented 75.9 of the total bingo wager.

In 2003/2004, bingo operating expenses fell 7.3 percent to $6.7 million, from $7.2 million in 2002/2003. Operating expenses accounted for 8.8 percent of the total bingo wager in 2003/2004, essentially unchanged from the year before.



Bingo licenses can be issued by the Division for a one time event (bingo single license), or recurring events (bingo series licenses). In January 2002, Bingo Regulations were amended to exempt "low revenue charitable bingo operators" from license and reporting requirements, thereby reducing the statistics reported in this report. In 2003/2004, the Division received financial reports for 330 bingo licenses, both single and series, compared to 412 licenses in 2002/2003, and 521 in 2001/2002.

Fifty percent of the 330 bingo licensees had gross receipts under $150,000, and generated around 20 percent (18.2) of the total charitable bingo wager. Conversely, 20.0 percent of charitable bingos had gross receipts exceeding $300,000, and yielded 54.6 percent of the total charitable bingo wager.

Charitable Bingo Licensees Grouped By Wager

Category	Licensees	%	Wager ($ thousands)	%
$0-50,000	33	10.0%	$847	1.1%
50,000-100,000	74	22.4%	5,515	7.3%
100,000-150,000	59	17.9%	7,384	9.8%
150,000-200,000	49	14.8%	8,548	11.3%
200,000-250,000	30	9.1%	6,685	8.9%
250,000-300,000	19	5.8%	5,288	7.0%
300,000-500,000	34	10.3%	13,262	17.6%
500,000-1,000,000	26	7.9%	18,170	24.1%
$1,000,000+	6	1.8%	9,623	12.8%
TOTALS	**330**	**100.0%**	**$75,322**	**100.0%**

Charitable Bingo Licensees Grouped By Net Profits

		Licensees By Net Profit			Average
Category	Licensees	<0%	0-15%	>15%	Net Profit
$0-50,000	33	14	13	6	1.7%
50,000-100,000	74	11	32	31	13.5%
100,000-150,000	59	8	31	20	12.6%
150,000-200,000	49	2	28	19	15.0%
200,000-250,000	30	0	11	17	16.2%
250,000-300,000	19	2	9	10	17.7%
300,000-500,000	34	1	19	13	14.7%
500,000-1,000,000	26	2	15	10	12.4%
$1,000,000+	6	2	1	3	11.7%
TOTALS	**330**	**42**	**159**	**129**	**13.7%**

Commercial Bingo

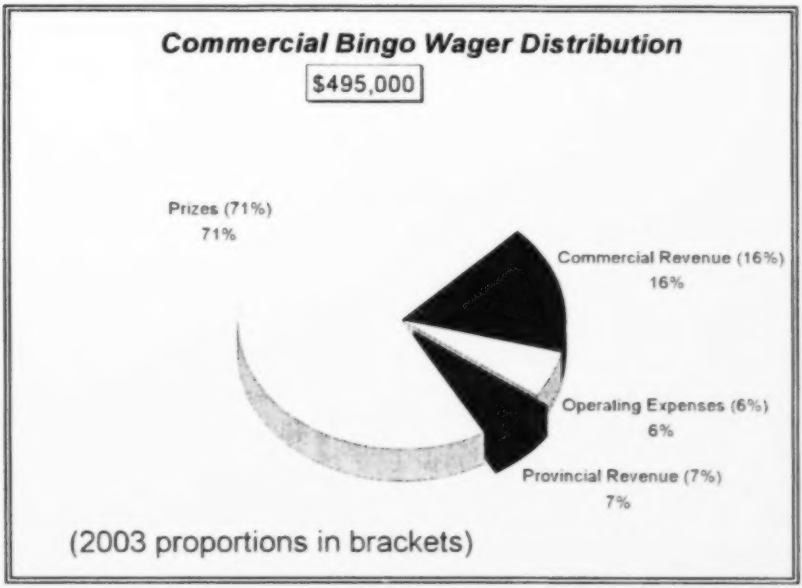
In 2003/2004, $0.5 million was wagered at the three commercial bingos operating in the province, compared to $2.1 million in 2002/2003.

Much of the decline was due to cessation of operations of one commercial bingo during the fiscal year. A second operator indicated that it would cease operations prior to the end of the fiscal year, leaving only one commercial bingo remaining in the province.

Commercial bingo operators reported profits of $80 thousand in 2003/2004, down from $339 thousand the year before. Revenue to the province from commercial bingos dropped to $35 thousand, from $147 thousand in 2002/2003.

Commercial Bingo Wager Distribution
($ thousands)

	2004	2003	Change
Operating Expenses	$29	$125	-76.8%
Commercial Revenue	80	339	-76.4%
Provincial Revenue	35	147	-76.2%
Prizes	351	1,469	-76.1%
TOTALS	**$495**	**$2,080**	**-76.2%**


Commercial Bingo Wager Distribution
$495,000
Prizes (71%)
71%
Commercial Revenue (16%)
16%
Operating Expenses (6%)
6%
Provincial Revenue (7%)
7%
(2003 proportions in brackets)

Charitable Ticket Lotteries

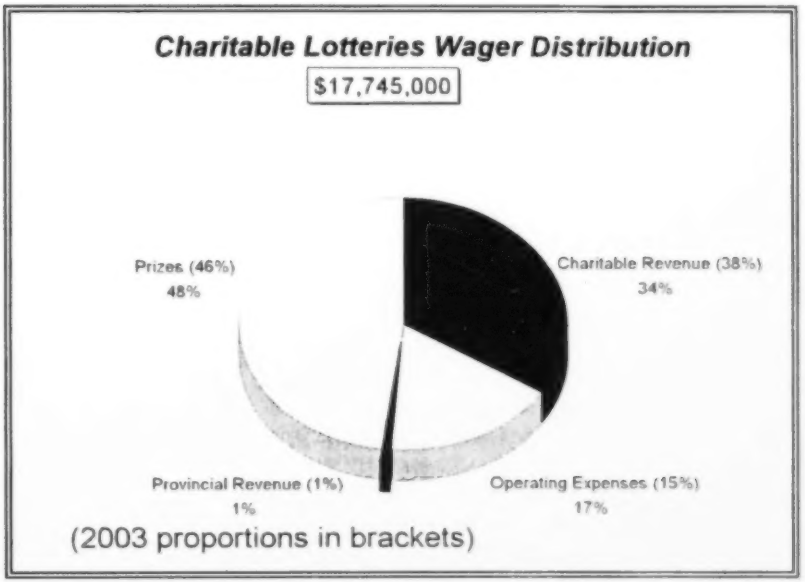
In 2003/2004, the charitable ticket lotteries wager increased 33.8 percent to $17.7 million, from $13.3 last year. Much of the increase this year was due to an increase in the number of large ticket lottery schemes. In 2003/2004, there were 16 charitable lotteries with sales over $300 thousand that generated sales of $9.7 million, compared to 9 lotteries of the same size with sales of $4.6 million the year before.

Operating expenses for charitable ticket lotteries rose to $3.0 million in 2003/2004, from $2.0 million in 2002/2003. Charitable revenue increased 20.9 percent to $6.0 million, compared to $5.0 million the year before. Similarly, provincial revenue went up 40.2 percent to $171 thousand, from $122 thousand in 2002/2003.

Charitable Lotteries Wager Distribution
($ thousands)

	2004	2003	Change
Operating Expenses	$3,000	$2,033	47.6%
Charitable Revenue	6,046	5,001	20.9%
Provincial Revenue	171	122	40.2%
Prizes	8,528	6,105	39.7%
TOTALS	**$17,745**	**$13,261**	**33.8%**

Prizes awarded in charitable ticket lotteries totaled $8.5 million (48.1 percent of the charitable lotteries wager), an increase of 39.7 percent from 2002/2003 in which the prize amount was $6.1 million (46.0 percent of the charitable lotteries wager).



Charitable Lotteries Licensees Grouped By Wager

Category	Licensees	%	Wager ($ thousands)	%
$0-50,000	641	92.1%	$4,410	24.9%
50,000-100,000	32	4.6%	2,298	13.0%
100,000-150,000	4	0.6%	494	2.8%
150,000-200,000	1	0.1%	166	0.9%
200,000-250,000	2	0.3%	423	2.4%
250,000-300,000	1	0.1%	270	1.5%
300,000-500,000	9	1.3%	3,679	20.7%
500,000-1,000,000	5	0.7%	2,865	16.1%
$1,000,000+	1	0.1%	3,140	17.7%
TOTALS	**696**	**100.0%**	**$17,745**	**100.0%**

CANADIAN JURISDICTIONAL GAMING COMPARISON

Province	Agencies Involved	Charitable Casinos	Commercial Casinos	VLTs
NF	**Government Services & Lands, Trade Practices & Licensing Division** Atlantic Lottery Corporation			✔
PE	**PEI Lotteries Commission** **Office of the Attorney General for Charitable Gaming** Atlantic Lottery Corporation			✔
NS	**Nova Scotia Alcohol and Gaming Division** Nova Scotia Gaming Corporation Atlantic Lottery Corporation		2	✔
NB	**New Brunswick Department of Public Safety** Lotteries Commission of New Brunswick Atlantic Lottery Corporation			✔
QC	**Régie des alcools, des courses et des jeux** Société des loteries du Québec		3	✔
ON	**Alcohol and Gaming Commission of Ontario** Ontario Lottery and Gaming Corporation Ontario Racing Commission	6	3	✔[1]
MB	**Manitoba Gaming Control Commission** Manitoba Lotteries Corporation		3[2]	✔
SK	**Saskatchewan Liquor and Gaming Authority** Saskatchewan Gaming Corporation		7[3]	✔

Province	Agencies Involved	Charitable Casinos	Commercial Casinos	VLTs
AB	Ministry of Gaming **Alberta Gaming and Liquor Commission** Department of Gaming Alberta Gaming Research Council	18		✔
BC	**British Columbia Gaming Policy and Enforcement Branch** British Columbia Lottery Corporation	16	4	
NT	**Consumer Services, Community Operations**			
YT	**Consumer Services, Department of Justice** Yukon Lottery Commission	1		
NU	Department of Community, Government & Transportation (Consumer Affairs Section)			

[1] 15 slot machine operations located at horse racetracks.
[2] Includes 1 First Nations casino.
[3] Includes 4 First Nations casinos.

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